

U.S. Army Materiel

ESSENTIAL IN PEACE, INDISPENSABLE IN WAR

Command

Army Logistics

Enterprise

Integration

Office of the Deputy G-3 for Enterprise Integration, HQ AMC



Exchange Pricing – Paulette Myers

SSF Transition Workshop 29 May 2003



Introduction

- **Purpose: Present the Results of the Exchange Pricing (EP) Study & Recommended Implementation Solution**
- **Agenda:**
 - ▶ Task and Deliverables
 - ▶ EP Courses of Action
 - ▶ COA Analysis
 - ▶ Schedule
 - ▶ Summary



Background

- **PBD 422 (11 Dec 01) directed Army to implement Exchange Pricing**
- **PBD 704 (10 Dec 02) directed Army to pursue EP in conjunction with FMEA and directed Army to provide an implementing plan.**
- **ASA(FM&C) (24 Jan 03) directed AMC to submit a plan by 30 Apr 03**
- **DALEI (6 Feb 03) contracted AT&T Government Solutions, Inc to conduct study**



Task and Deliverables

ASA(FM&C) Memo, Army Exchange Pricing Implementation Plan, 24 January 2003:

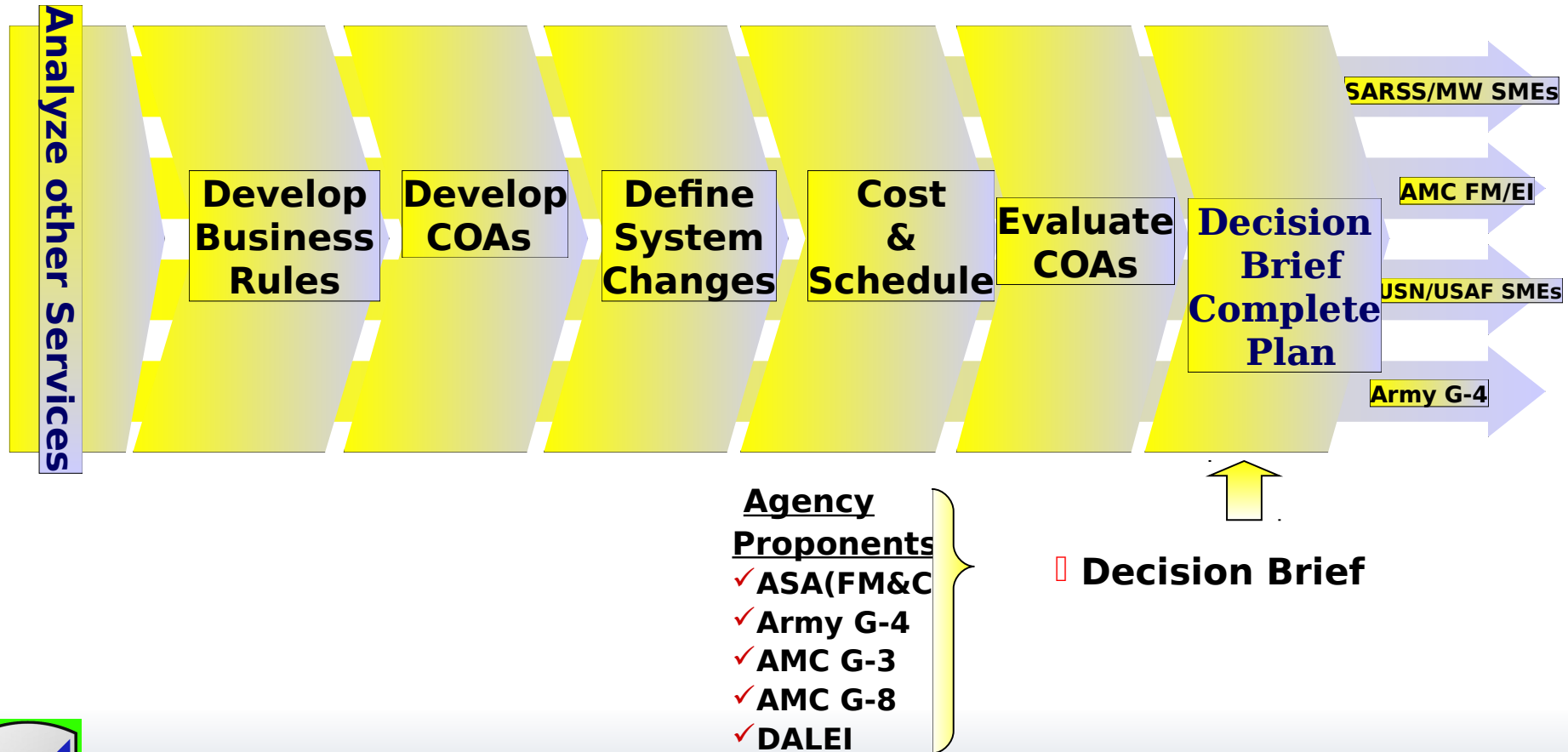
- **Develop and submit a plan by 30 April 2003**
 - **Use latest available technology**
 - **Ensure compatibility with the requirements of Financial Management Enterprise Architecture (FMEA)**
 - **Identify the total costs by system**
 - **Include return on investment and payback period (if applicable)**
 - **Include specific relationships with Single Stock Fund and LMP**
 - **Evaluate the Navy and Air Force systems**
- **Technical solution doable FY05; however,**
 - **PPBES/POM alignment may drive an FY06 implementation**

Tasks correspond to requirements in PBD 704



Basic Approach

Deliberate, collaborative, proven approach that works!



Exchange Pricing in a Nutshell

Vision

- Mitigate financial problems associated with excess credit provided through the current supply business area
- Extend visibility and management of DS/RX assets to the wholesale level.
- Complete the final leg of the phased campaign plan for SSF

Assumptions

- LMP fully implemented in FY 04 for National operations
- GCSS Army ERP solution fielded post EP
- CSCM-A initiated in FY 04
- NAMI DS/RX and MCN remain O&M
- If DA changes maintenance policy relative to DS/RX, it will fund subsequent systems and process adjustments

ARNG will be on STANFINS

Objectives

- De-link the cost of reparable Class II and IX items from current Army credit programs
- Establish a dual pricing system to include an EP for NSN with MRC = F, H, D, or L, and a SP for all other items.
- Eliminate unserviceable credit
- Eliminate AMI O&M SSA stock
- Maintain NAMI DS/RX and MCN assets in O&M environment.

Concept of Operations

- Establish an EP for NSN with MRC = H, D, L, and F
- SP for all other items
- No unserviceable credit for Army customers
- If carcass for EP item is not returned within 60 days of requisition issue date, charge Delta (SP-EP)
- Serviceable credit rate (SEP) for EP items = EP - surcharge
- Serviceable credit rate for SP items = established serviceable credit rate



Changing Environment

Standard Price (SP) = Latest Acquisition Cost + Surcharge

Exchange Price (EP) = Repair Cost + Washout + Surcharge

Today:

Circuit Card:

Std Price: \$129

Unserv Credit: \$66

Serv credit: \$100

▮ Shift from current credit on turn-in to charge of "delta" (SP - EP) if not turned in within 60 days

▮ No unserviceable credit for Army customers

▮ NSN with Maintenance Repair Code of H, D, L, F will have an assigned EP value

▮ Serviceable credit:

EP items = EP - surcharge value;

SP items = LAC - surcharge (AMI not in National Repair Program)

Tomorrow:

Circuit Card:

Std Price: \$129

EP Price: \$63

EP[△] : \$66 (No Return)

Serv Credit (EP - Surcharge): \$34



Exchange Pricing Courses of Action

Systems must:

- ☑ Track Returns
- ☑ Match Returns to Sales
- ☑ Trigger Bill

ECPs

**Exchange Pricing
Business Rules**

**ECP
S**

Logistics Modernization Program

Minimum functionality must include:

- Total EP functionality for LMP direct customers minus DS/RX

Customer Return Tracking
Financial Triggers
Management Reports
Includes tracking DS/RX

SARSS/MW/ISB/SABERS

Minimum functionality must include:

- EP Pricing
- Obligation/Commitment
- O&M MCN/NAMI DS/RX

Considerations:

- **Summary** vs. Detailed
- **Upfront** vs. Delayed Billing
- **Phased** vs. One-Time

Fielding

Key Points:

- Using DODAAC & NIIN Provides Acceptable Detail
- Summary Level Tracking/Upfront Billing Minimizes System Changes

COA 1

COA 2



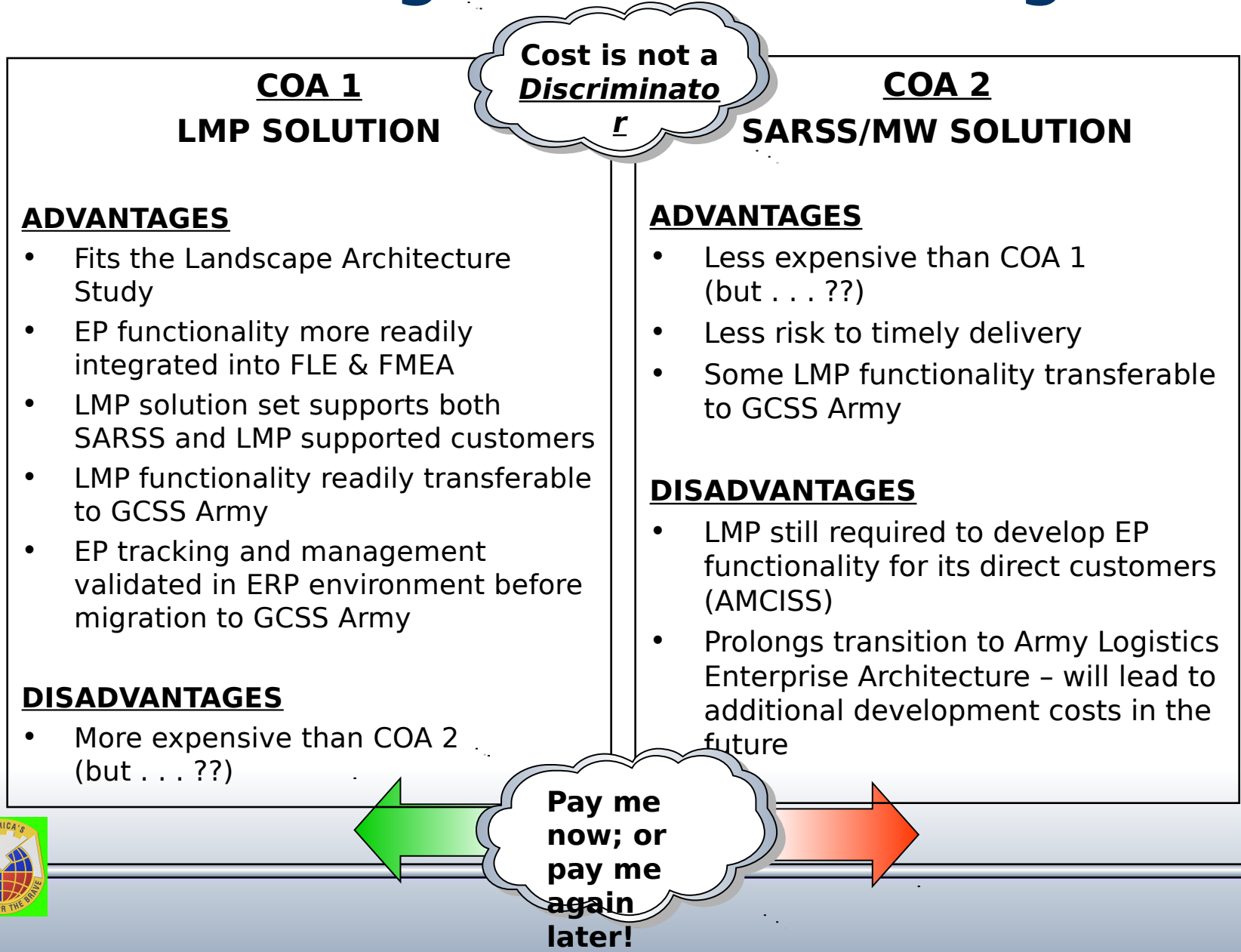
COA Analysis

CRITERIA	COA 1	COA 2
Mitigates Current Financial Issues with Excess Credit	+	+
Provides Customer with Separate Sales Price and Credit Amount	+	+
Costs	-??	+??
Maximizes Functionality in Modernized Systems	+	-
Legacy Functionality Transferable to GCSS Army, LMP, ERP	+	-
Works for the Total Force	+	+
Promotes Cost Effective Behavior by Customers	+	+
Integrates EP into FLE and FMEA	+	-
Fits the Landscape Architecture Study	+	-

COA 1 meets the selection criteria, AND delivers process improvements while maximizing investment in the future logistics architecture



Advantages/Disadvantages



Comparison of the Navy and Air Force Systems

Business Practice	Army*	Navy	Air Force
"Exchange Pricing" = Repair Cost + Washout Rate + Surcharge	Yes	Yes	Yes
EP item is billed a penalty (SP - EP) if carcass is not turned in.	Yes	Yes	Yes
Unserviceable credit is given.	No	No	No
Designated time is provided to turn-in the carcass.	Yes	Yes	Yes
A refund credit is generated if the item is turned in after the designated time.	No	Yes	Yes
EP applies to the DS/RX (Retail) level	Yes	No	Yes
Detailed Tracking is used to monitor Carcass turn-ins.	**No	Yes	Yes
EP Changes under Contingency Operations.	No	No	No

* Proposed

** Phase II

**Chapter 3
Implementation Plan**

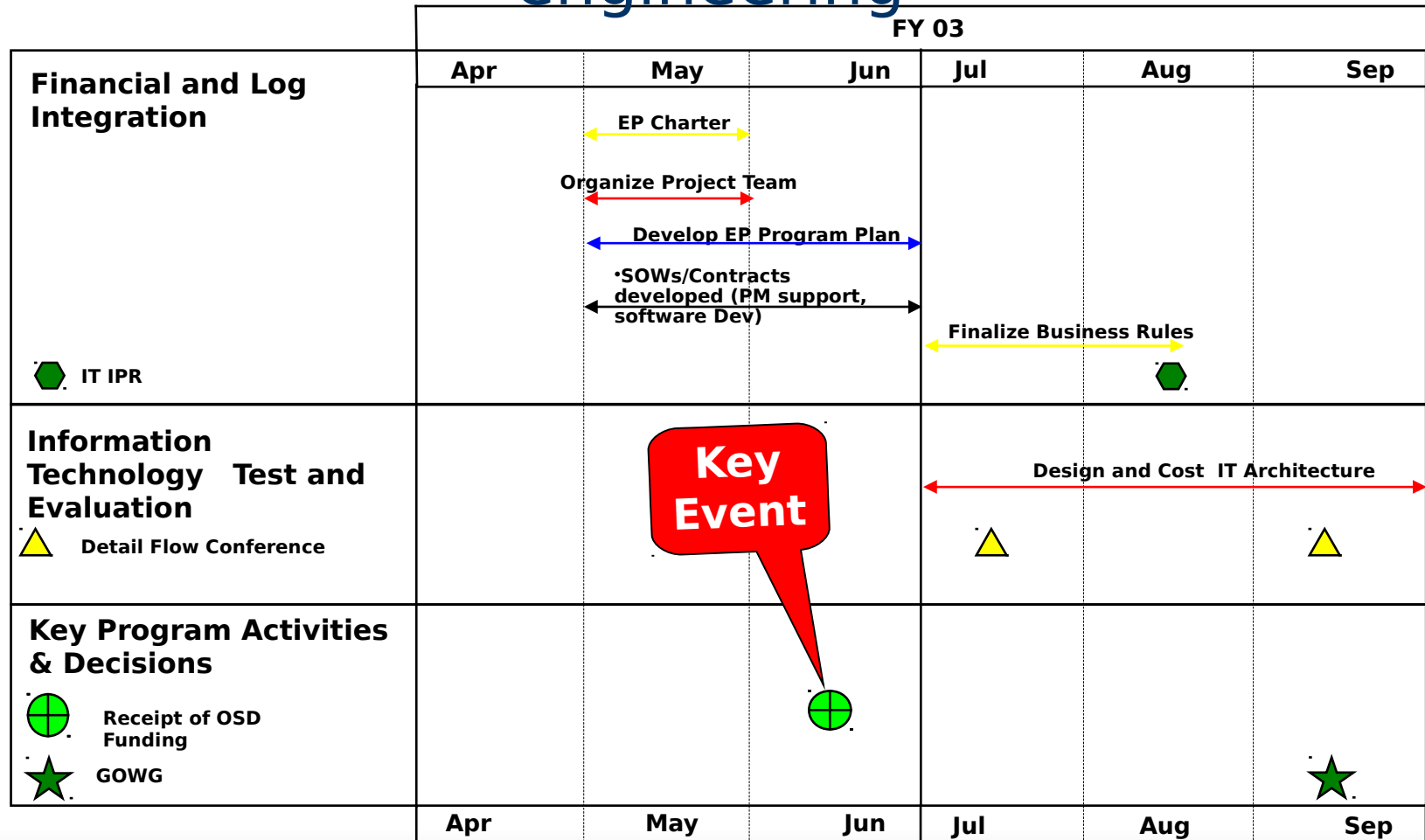
Study Conclusion

- **Both COA achieve the goals and objectives of EP, but...**
- **Recommend COA 1 (LMP Solution) delivers required business process improvements, while maximizing investment in future logistics architecture**

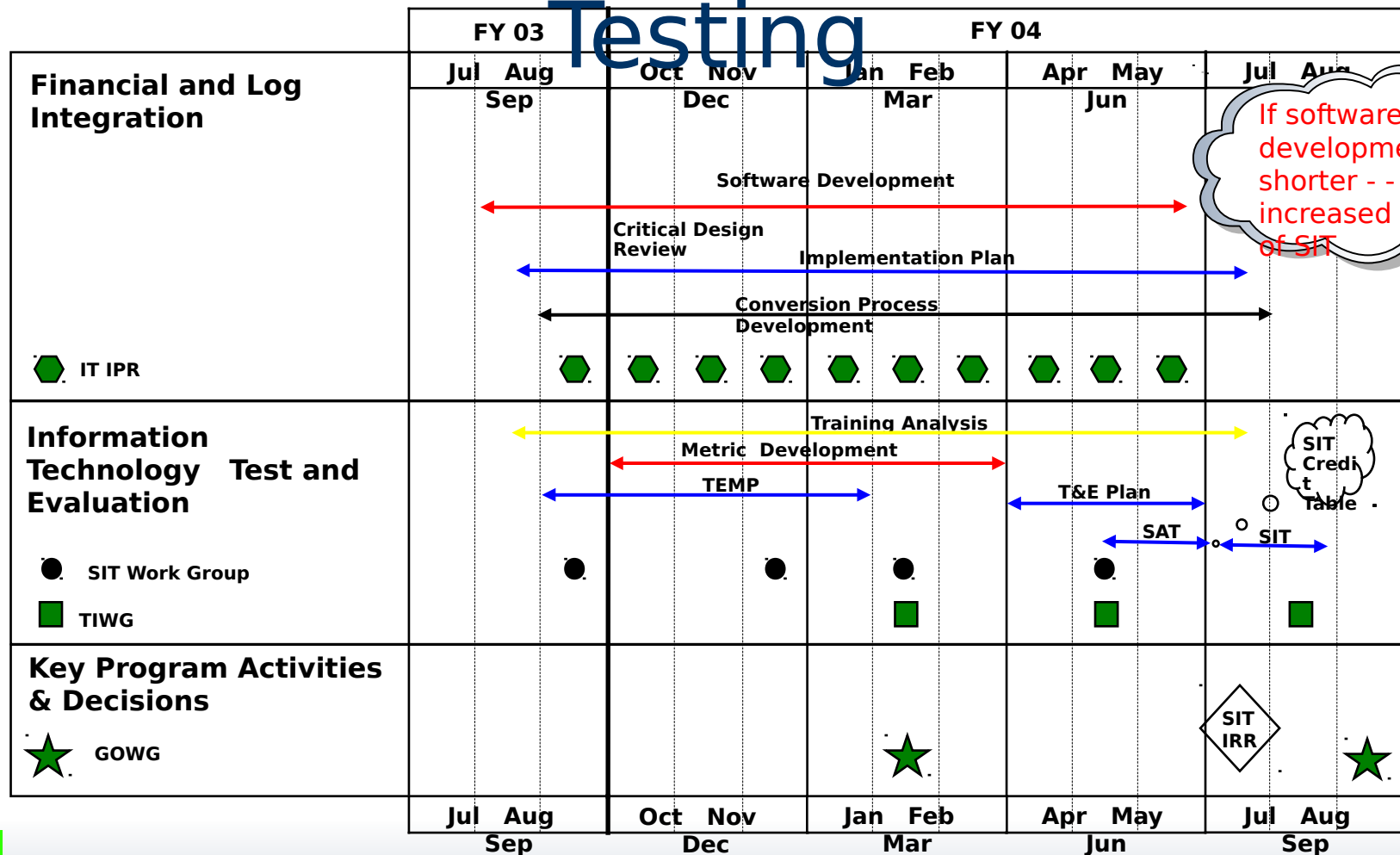
Schedule for Implementation



Phase 1& 2 – Project Planning & Process Re-engineering



Phase 3 - System Modifications & Testing

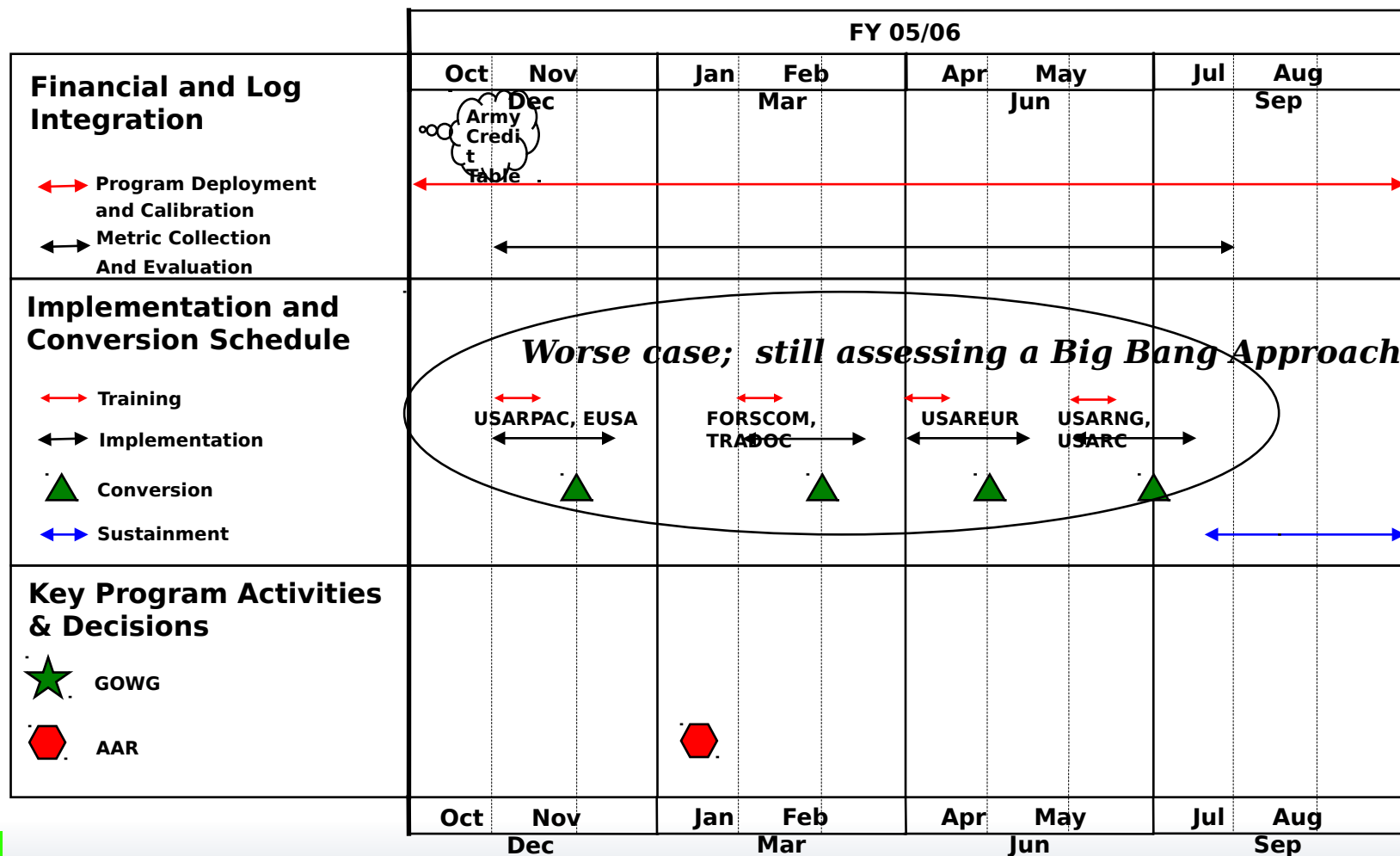


If software development shorter - - increased length of SIT

SIT Credit Table



Phase 4 - Training & Fielding



Summary

- **OSD(C) Approved the Implementation Plan**
- **Need to integrate EP with Fund Control & CSCM-A**
- **Have Prepared an EP Primer to Jump-Start the Process**
- **Next Step - - - Project Planning & Process Re-engineering**

